

State Employee Benefits Committee
Friday, February 7, 2014 at 2:00 p.m.
Tatnall Building, Room 112
Dover, Delaware

The State Employee Benefits Committee met on February 7, 2014, at the Tatnall Building, Room 112, Dover, Delaware. The following Committee members and guests were present:

Ann Visalli, Director, OMB
Brenda Lakeman, Director, OMB, SBO
Faith Rentz, Deputy Director, OMB, SBO
Casey Oravez, OMB, Financial Operations
Dawn Guyer, OMB, Financial Operations
Durae' Johann, OMB
Dawn Davis, OMB, SBO
Stuart Wohl, Segal
Michael Morton, Controller General
Kimberly Reinagel-Nietubicz, CGO
Valerie Watson, Department of Finance
David Craik, Pension Office
Crystal Webb, DHSS
Chip Flowers, Treasurer
Kelly Callahan, Office of the Treasury
Jennifer Mossman, Highmark DE
Jackie Rhoads, Highmark DE
Judy Grant, HMS
Mike North, Aetna
Julie Caynor, Aetna
Andrew Kerber, DOJ

Ronald Burrows, DRSPA
Leighann Hinkle, OMB
Paula Roy, Roy Assoc.
Kim Hawkins, City of Dover
Lisa Carmean, City of Milford
Michael Kelleher, University of DE
Alexis Bryan-Dorsey, OMB
Karol Powers-Case, DRSPA
Sandy Richards, AFSCME-R
Richard Phillips, DSEA-R
Karin Faulhaber, PHRST
Patricia Griffin, SEBAC Chair
Hugh Ferguson, DRSPA
Andrea Godfrey, OMB
Courtney Stewart, CGO
Dave Leiter, DHSS

Introductions/Sign In

Director Visalli called the meeting to order at 2:05 p.m. Anyone who had public comment was invited to sign-in and any others wishing to comment would be given the opportunity at the end of the meeting. Introductions were given around the room.

Approval of Minutes

Director Visalli requested a motion to approve the minutes from the January 24, 2014 SEBC meeting. Controller General Morton made the motion and Ms. Valerie Watson seconded the motion. Upon unanimous voice vote the minutes were approved.

Director's Report – Brenda Lakeman

Ms. Lakeman gave an update regarding the upcoming formulary drug changes and indicated that letters would be going out to those that will be impacted by drugs no longer covered as of July 1, 2014. It is expected that there will be less impacted members due to the fact that many drugs moved from preferred to non-preferred status in January of 2014 and members were previously urged to discuss alternatives with their physician to avoid paying higher copays. In addition, Ms. Lakeman reminded the committee that the generic copay waiver campaign started in January 2014 and might further encourage some of the members who will be impacted by the formulary drug changes to try a generic alternative. The campaign allows them to fill a generic alternative for up to 90 days at no cost.

Later in February, the Statewide Benefits Office intends to notice to all active employees approaching Medicare eligibility about their obligation to enroll in Medicare Part A upon eligibility due to age or disability as well as enrollment in Medicare Part B upon retirement.

Disability Insurance Program Contract Award Recommendation

The Hartford was initially awarded a contract for administration of the Disability Insurance Program (DIP) in 2006 and re-awarded in 2008 for three years beginning January 1, 2009 with two optional one year renewal periods. The Department of Justice authorized a 6 month extension of the current and last optional renewal year to June 30, 2014. The

Proposal Review Committee (PRC) interviewed Prudential/Sedgwick and incumbent, The Hartford on January 9, 2014. Both were given the opportunity to present their processes and capabilities in the areas of plan design, claim intake, workflow and processing, clinical claim support, transition from short to long term disability and return to work initiatives. The PRC met on January 30, 2014 for a final review of follow-up information and references, to score the two finalists and to determine the award of contract. Ms. Lakeman commented that both finalists were very close in pricing and capabilities. The Long Term Disability (LTD) premium and Short Term Disability (STD) administrative fees submitted from the Hartford for the initial contract period totaled \$1.27M and Prudential/Sedgwick's fees total \$1.25M above the current contract's initial period premium and fees.

The PRC recommends that The Hartford be awarded the contract for Disability Insurance Program Administration Services, for an initial term of three years with two one year renewal options beginning July 1, 2014 and contingent upon final negotiation of performance guarantees and the Technology Terms and Conditions as required by DTI.

Director Visalli thanked everyone who participated on the PRC and asked if there were any questions. Judge Griffin asked if it was possible that the State could go to bid and choose not to exercise the optional one year renewal options and it was advised that the SEBC has that option. Mr. Kelleher from the University of Delaware asked what the percentage rate increase was over the current contract and Ms. Rentz stated it was 6.9% (correction: the increase over current the current contract was reduced to 4.6% after best and final negotiations were concluded). Treasurer Flowers asked about rate caps and possible increases in rates for years four and five. Ms. Lakeman commented that the rates are set for the first three years; however, increases for years four and five depend upon the State's loss ratios. The rates could decline if the State's loss ratios decline to 80.5% or less of premium. Director Visalli advised that a vote would be required after public comment.

Affordable Care Act Update - handout

Mr. Wohl, Segal, reviewed the Affordable Care Act (ACA) Update presentation. It was explained that the ACA extends access to health insurance coverage to all citizens by imposing an individual mandate. Everyone is required to carry a minimum benefit or will be required to pay a tax penalty. The ACA expands Medicaid eligibility and certain Medicare benefits, particularly to the disabled population. The new virtual marketplace (exchanges) has been created for individuals that are not covered by Medicare, Medicaid or by an employer. Subsidies for low-income individuals will be provided to aid in the purchase of medical insurance.

Mr. Wohl explained that the purpose of having a medical plan maintain Grandfathered Status is to preserve existing coverage and the advantage is the plan does not have to comply with certain coverage mandates. Any change that may be considered to an existing plan must be reviewed to ensure the plan remains in Grandfathered Status. All the State Plans are considered Grandfathered with the exception of the two CDH Gold Plans.

Mr. Wohl reviewed mandates that apply to all plans and some that apply to Non-Grandfathered Plans only. Ms. Lakeman commented that there are some changes that must be made to the Grandfathered Plans and those will be brought before the Committee at a later date. Director Visalli stated that the State is already doing many of the required mandates. It was explained that an increased co-pay amount in order to save money may cause loss of Grandfathered Status and would add a layer of decision making that as an end result could cost the State more money.

Mr. Wohl reviewed taxes, fees and assessments which included a section on Comparative Effectiveness Research Fees, payments to Temporary Reinsurance Programs (2014 – 2016) and a ceiling on Tax Free Benefits. It was stressed that there is not a lot of guidance yet. Director Visalli explained that the State must find a plan mix that is just right, the plans cannot be too generous or too strict. Ms. Lakeman stated that we must look at ways to reduce costs and lower claims expenses not simply shift costs from employer to employees.

Reporting and Disclosure Requirements were discussed and include W-2 reporting, requirements to notify employees of the Marketplace Exchanges and provide employees with a Summary of Benefits and Coverage. Ms. Lakeman commented that initial notices regarding the availability of the Marketplace Exchanges were mailed out to employees in October of 2013. All Human Resource offices were instructed of the requirement to send out the Marketplace Exchange notices to new hires within fourteen days of employment.

Mr. Wohl highlighted a number of subsidies and penalties including the individual mandate which requires individuals to carry minimum coverage or face tax penalties and the Employer Shared Responsibility penalty that requires employers to provide at least 95% of their full time employees with access to minimum essential coverage as well as affordable coverage or face penalties. Premium tax credit assistance and exchange subsidies available to low income individuals were also reviewed. The cost of health care continues to rise faster than inflation and it was stated that private employers will likely continue to cut or curtail employer sponsored and subsidized health benefits, making public employers even more attractive. Public employees are likely to work longer just to keep subsidized health benefits.

Fiscal Year 2015 Plan Design Considerations

Ms. Lakeman announced that the FY2014 Second Quarter financials are being gathered at this time and revenues and expenses would be reported at the next SEBC meeting.

Director Visalli commented that the Governor's recommended budget came out on January 30, 2014 and did not include additional funding for employee healthcare. Once more information was available on the amount of funding needed to balance the FY15 budget, a request could be included as part of the budget mark-up process in May.

SEBAC Comment

Ms. Griffin, SEBAC Chair, reviewed the discussion at the February 6, 2014 SEBAC meeting regarding the Council's interest in seeing the 90 day period in which a new employee can enroll without evidence of insurability in the life insurance plan extended and how this change could result in more participation in the program. There was no quorum so official minutes were not recorded.

Public Comment

Mr. Leiter, DHSS, commented that he felt as though the 90 day period allotted for life insurance enrollment without providing evidence of insurability for new hires should be increased to a year. He explained that most new hires are not focused on life insurance enrollment and certainly not if they must take an extra step and contact the life insurance carrier independently and separately from their enrollment in other health benefits.

Ms. Rentz advised that separate from the life insurance RFP process, there is an initiative underway that would give Human Resource offices the ability to advise and enroll employees in the life insurance program as part of the new employee benefit enrollment process. Director Visalli concluded that this initiative would make the life insurance enrollment process easier and would solve some of the concerns expressed by Mr. Leiter.

Mr. Leiter asked if the Affordable Care Act fees would come out of the Health Fund. Ms. Lakeman expressed that the fees and penalties would be the responsibility of the State.

Director Visalli asked for a motion to approve The Hartford contract for administration of the Disability Insurance Program. Controller General Morton made the motion and Ms. Webb, DHSS, seconded the motion. The motion passed with a unanimous voice approval.

Director Visalli reminded everyone that the next SEBC meeting would be on February 21, 2014. Director Visalli asked for a motion to adjourn the meeting. Ms. Watson made the motion and the meeting adjourned at 3:00 pm.

Respectfully submitted,

Dawn M. Davis
Executive Secretary
Statewide Benefits Office, OMB